

Exhibit B

Sallie Krawcheck Explains Why Clients Leave

Free Registration ▶

FINANCIAL
ADVISOR **IQ**
A Financial Times Service

FINANCIAL TIMES

February 27, 2015 1:27 pm

Palestinians squeezed after Israel withholds tax

John Reed in Ramallah



Palestinian drivers wait beside Israel's separation barrier to cross through Qalandria checkpoint between Jerusalem and Ramallah

When Israel stopped paying the Palestinian government the tax it collects on its behalf in December, Hani Ash Kukani — like thousands of other public employees — saw his salary cut by 60 per cent.

Mr Kukani put his wife and three children on what he calls the “60 per cent diet”, cutting by nearly half the amount of food they normally buy. The family now buys meat only about twice a month, rather than twice a week, and eats more yoghurt and olive oil than before.

“They want us to be broken — they want us to oppose and bring down the Abbas regime because of this crisis now,” says the 43-year-old, who is a bodyguard for a colonel in the Palestinian intelligence service, describing what he says are Israel’s motives in withholding the taxes. “This is what they want, and we can’t let it happen.”

Israel stopped transferring the funds in December in response to President Mahmoud Abbas’s decision to join the International Criminal Court, which could lead to war crimes prosecutions against Israel. The money, roughly 500m shekels (\$125m) a month, amounts to two-thirds of the deficit-plagued Ramallah government’s revenues, according to the International Monetary Fund.

While the Palestinians' growing financial stress pales alongside bigger and deadlier crises in Syria and elsewhere, donors — led by the EU and US — are worried that it could threaten the delicate status quo in the Israeli-Palestinian conflict, in which the Palestinian Authority keeps peace in the West Bank, but depends heavily on Israeli goodwill and co-operation.

Israel is not saying how long it will withhold the tax receipts, which it collects for the Palestinians — who do not control their own borders — after deducting a 3 per cent administrative fee. But the cut-off in funds has prompted US secretary of state John Kerry, among others, to raise concerns that the Palestinian Authority, which employs 170,000 people in the Palestinian territories, could collapse, threatening the broader economy and security conditions in the West Bank.

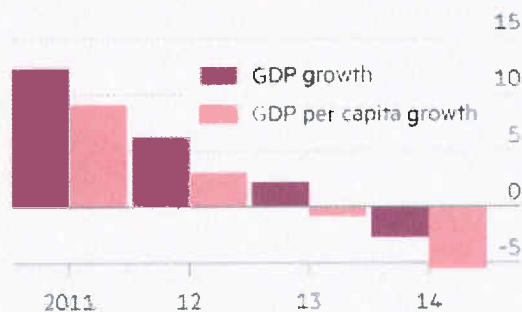
The IMF warned last month that the spending cuts caused by the suspension of tax payments “could become untenable, with a growing risk of social unrest and strikes that could lead to political instability”.

Even before the tax freeze, the Palestinian economy was in a three-year-old slowdown, hit by falling donor support and growing confrontation with Israel.

This week it took a further blow when the Israel Electric Company cut power to Palestinian homes and businesses as a warning to the Palestinians over their 1.9bn shekels of unpaid electricity bills. The West Bank cities of Nablus and Jenin were plunged into darkness for 45 minutes on Monday, then again for an hour on Wednesday.

Economic growth in West Bank and Gaza

Annual % change



Source: The Portland Trust, Palestine Economic Policy Research Institute (MAS)

Under an agreement reached between the Israeli power company and Israel's government reached on Thursday, the IEC agreed to end the power cuts in exchange for the right to draw on the withheld Palestinian tax revenues to partially defray the PA's debt.

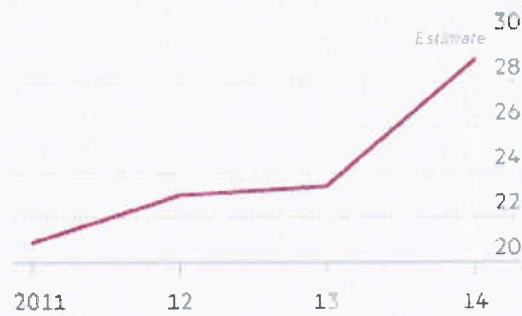
Benjamin Netanyahu's government said the state-owned IEC decided on the blackouts of its own accord, but Palestinian officials accuse Israel of collective punishment. They also say Israeli leaders are squeezing the Palestinian economy for short-term political reasons. Mr Netanyahu faces a tight election race later this month, with rightwing figures promising a “tough” stance on the Palestinians and their decision to join the ICC.

“Netanyahu wants to win at the ballot box, and by making things impossible for the Palestinians, he wants to win votes from the rightwingers and the settlers,” says Adnan Damiri, spokesman for the Palestinian security services. “We are not looking for confrontation, but they want chaos — not only for Gaza, they want to make the West Bank explode.”

Unemployment rate in West Bank

and Gaza

Per cent



Source: The Portland Trust, Palestine Economic Policy Research Institute (MAS)

While Mr Damiri says police are “working normally” in the West Bank, officials say many government workers are taking sick leave because they cannot afford to commute to work.

Palestinian officials say their Israeli counterparts have told them that they will withhold tax receipts for a third month. A finance ministry official says the PA will fund partial salaries for public workers due on March 1 by borrowing from the local banking system, but will be unable to do so again because of banks’ unwillingness to expose themselves to more risk.

“We are at the last step — we can manage this month, but we will never lie to our employees and our people if we can’t do it next month,” says Luai Hanash, director-general of customs, excise and value added tax. “We will go and tell the whole world, ‘We can’t — let the occupation come and pay’.”

RELATED TOPICS Arab-Israel conflict

Printed from: <http://www.ft.com/cms/s/0/20797ecc-bdae-11e4-8cf3-00144feab7de.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2015 FT and ‘Financial Times’ are trademarks of The Financial Times Ltd.